

ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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## PROGRAM INSTRUCTION

**TO:** Head Start and Early Head Start Grantees and Delegate Agencies

**SUBJECT:** Statutory Requirement regarding compensation of Head Start staff

### INSTRUCTION:

The recently enacted Head Start Act contains new language in Section 653 regarding limitations on the compensation of Head Start staff. Specifically, it precludes using any Federal funds (including, of course, Head Start grant funds) to pay any part of the compensation of an individual employed by a Head Start agency if that individual's compensation exceeds the rate payable for level II of the Executive Schedule (currently \$172,200).

As you know, similar language regarding compensation limitations was included in the last few Head Start appropriations bills. However, some of the requirements of Section 653 are different than previous requirements. Specifically:

- Compensation is specifically defined in Section 653 to include "salaries, bonuses, periodic payments, severance pay, the value of any vacation time, the value of a compensatory or paid leave benefit not [explicitly] excluded and the fair market value of any employee perquisite or benefit not [explicitly] excluded." Explicitly excluded from counting as compensation is "any Head Start agency expenditure for a health, medical, life insurance, disability, retirement or any other employee welfare or pension benefit."
- The cap precludes any federal funds being used to pay an individual whose compensation exceeds the cap, not just Head Start grant funds. Moreover, unlike previous policy in which grant funds could be used to pay up to the cap, but not for any compensation that exceeded the cap, the new statutory requirement precludes any funds being used to pay any part of an individual's compensation, if that individual's compensation exceeds the cap. For example, previously if an individual who worked full time for Head Start had a 2008 compensation level of, say, \$180,000, that grantee would have been authorized to charge up to \$172,200 of that compensation to the Head Start grant, finding \$7,800 in non-grant funds to fully pay that individual. The new requirement will not permit any Head Start (or other federal) funds, to be used to pay any part of that individual's compensation. That is, all \$180,000 would have to come from non-federal sources or the individual's compensation would need to be reduced. It is important to note that this cap applies to all staff who receive any part of their compensation from Head Start (or other federal funding sources), including those whose salaries are part of an indirect cost pool.

The Office of Head Start recognizes that some grantees will need to make adjustments to their personnel policies and/or will need to have their indirect cost rate redetermined by their cognizant federal agency. In order to give these agencies a reasonable period of time to make such changes,

implementation of the compensation cap will be effective for all Head Start grantees beginning with the awarding of their FY 2009 annual grant award. Grantees are urged to use the intervening time to make whatever adjustments are needed to assure full compliance with the compensation cap requirements.

Please direct any questions regarding this Program Instruction to your OHS Regional Office.

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